Report and Consolidated Financial Statements
30 June 2008

avanticapital

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Directors and advisers

Directors
P J Crawford (Chairman)
J M Fellerman
R H Kleiner
W A H Crewdson

Secretary
J M Fellerman

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers
Barclays Bank plc
Kensington and Chelsea
PO Box 4599
London SW3 1XE

Royal Bank of Scotland plc
PO Box 34
15 Bishopsgate
London EC2P 2AP

Nominated adviser and broker
Collins Stewart Limited
9th Floor,
88 Wood Street
London EC2V 7QR

Solicitors
Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA

Investment adviser
Odyssey Partners Limited
25 Harley Street
London W1G 9BR

Registered Office
25 Harley Street
London W1G 9BR

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Results of the group

As at 30 June 2008 the group had net assets (excluding the accounting affects of the consolidation of Eclectic Bars Limited) of £14.2 million (2007: £16.6 million) or 177 pence per ordinary share (2007: 207 pence per share).

As at 30 June 2008, the group had net assets on a consolidated basis of £11.4 million (2007: £14.0 million) or 142 pence per ordinary share (2007: 174 pence per share).

In the period to 30 June 2008, the loss before exceptional items, excluding the consolidation of Eclectic Bars Limited was £2.4 million (2007: profit of £1.1 million). The loss on a consolidated basis was £2.6 million (2007: loss of £125,000 – restated).

All the above figures have been arrived at after making a provision for the carried interest of £995,000 (or 12p per share). The payment of such carried interest is dependent upon the realisation of the individual assets being at values which are, at least, equal to the values stated in the accounts as at 30 June 2008.

In order to reflect the underlying commercial value of the group's net assets we have provided on pages 43 and 44, by way of additional information to our shareholders, supplementary information comprising unaudited pro-forma accounts which reflect the separate activities of the group.

Portfolio investments

Eclectic Bars

2008 has shown the business to be resilient with trading this year continuing well. During the year, the business developed a new premium bar concept called Sakura with a subtle Far Eastern/ Japanese feel. The target audience is students during the weekdays and a weekend crowd that are looking for a quality London West End bar without the need to travel to the City to enjoy it.

The first Sakura was opened in Lincoln in October 2007. This has generated EBITDA some 57% in excess of forecast in its first nine months of trading. The second Sakura was opened in May 2008 under the fully developed Sakura brand utilising the ground floor space for earlier trading including food. Trading so far has been very strong and ahead of internal forecasts. Sites for additional Sakura bars and the company's Po Na Na brand are being actively sought.

Despite difficult market conditions being reported across the sector, Eclectic's trading for the first three months continues to be strong with positive like for likes and EBITDA in excess of forecasts and last year. Eclectic continues to drive its business with midweek sessions focusing on students and specialist music sessions and at the weekends with a premium late night experience.

Eclectic's management team has proven its ability to take over a portfolio of bars and successfully deliver an agreed strategy of restructuring, to dispose of poorly performing sites, to improve revenues in underperforming sites, to drive down costs and overheads and to open new sites.

Eclectic's strategy is to assemble a large portfolio of bars by consolidating a fragmented sector. The view is that there are too many sub-scale businesses, overburdened by disproportionately large bank debt levels, central overheads and underperforming sites. Essentially Eclectic is a roll up play; the team continues to look for opportunities which will enable Eclectic to expand the portfolio with the addition of quality units, with the aim of growing profits and leveraging overhead.

As at 30 June 2008, the carrying value of the company's investment in Eclectic was 97p per share.

Espresso

Espresso is an extensive library of high quality, broadband teaching resources and student activities that motivates pupils and supports teachers.

Over recent years, Espresso has transformed itself from a UK focused single product entity into a multi-dimensional product set for domestic and international markets. The original product line 'Espresso for Primary schools' is currently being used by over 10,000 schools and consistently enjoys a 95% retention rate for its subscription service.

Cash generated from this core business and the 2006 acquisition of Netmedia is being used to fund investment into additional growth areas that include Education Media Delivery (a new UK focused content distribution business), a new product line for secondary schools in the UK that includes the recently acquired Channel 4 Learning materials and the development of international revenue streams. All of these new investments are multi-year in nature and should begin making positive contributions to profitability of the overall company during the 2009 financial year. Early indications are that the appetite for these newly developed services is positive and should add value to the business as Espresso demonstrates the international scalability of its services.

During 2007, Espresso made an important acquisition. Channel 4 Learning (Channel 4's award-winning education rights exploitation business) joined Espresso Education, Netmedia Education and Education Media Delivery as part of Espresso. The acquired business was merged with Espresso Education to provide curriculum services to primary and secondary schools throughout the UK and abroad. Both businesses are award-winning market leaders in video-based, interactive teaching and learning resources. As part of the deal, Espresso acquired the assets of Channel 4 Learning, as well as a license agreement for the exclusive commercial exploitation of Channel 4's existing and future schools' television programs, where Channel 4 has the rights.

The business continues to perform well trading in line with expectations. Other investors include Proven VC, Media VC, Guinness VC, MeCom, ITN and Babcock & Brown.

As at 30 June 2008, the carrying value of the company's investment in Espresso was 4p per share.

mBlox

mBlox is the world's largest mobile transaction network.

It enables businesses to deliver and bill for mobile services and content around the world. It specialises in global operator connectivity and mobile billing, maintaining connections to more then 500 mobile operators in 180+ countries through its carrier-grade network.

In the year to December 2007 mBlox delivered over 2 billion application-to-person transactions. These transactions covered a wide range of applications including, mobile originated and terminated messages and Premium SMS, powered mobile business, mobile marketing and mobile entertainment worldwide. mBlox continues its path of high growth.

mBlox predicts that within three years, mobile carriers will more than double their revenues from off-portal entertainment and that carrier revenues will grow to $8 billion by 2011 compared to $3 billion in 2007. This growth will be derived from providing value added and enabling services to off-portal publishers. The research, conducted in conjunction with Cambridge University's Judge Business School, found that this additional revenue will principally come from three newly emerging areas: WAP billing, sender pays data and handset/subscriber data. These services will help off-portal content and service providers to

meet growing consumer demand for rich mobile entertainment on the mobile internet.

In late November 2007, mBlox raised $22.0 million in a Series E round. Other mBlox investors include Silicon Valley venture funds including Norwest, Scale, Novus, Duff Ackerman Goodrich, Trident and Galleon.

In February 2008, mBlox launched its global WAP Billing platform. Bringing together the next generation in mobile technology and mBlox's unrivalled strength in mobile billing and delivery, the platform provides a user-friendly payment experience which will fuel further growth for mobile content providers.

As at 30 June 2008, the carrying value of the company's investment in mBlox was 72p per share (2007 – 97p per share). This reduction of 25% reflects the change in the financial markets in the US and is considered appropriate by the board.

Medcenter

Medcenter is a multinational pharmaceutical marketing company, specialising in innovative solutions that increase drug sales and business effectiveness. Its largest market is Latin America.

Operating for over 10 years with offices in Europe and the Americas, Medcenter works with 50 of the most important international laboratories (with 80 of the most sold products in the global market) and Medcenter has a team of highly qualified pharmaceutical marketing professionals ready to respond with creativity to the needs of the pharmaceutical industry, with solutions in the areas of medical education, promotion, market research and marketing. These solutions are designed to strengthen the relationship between the pharmaceutical industry, physicians and patients in order to increase product prescription, market share and sales.

The company's strategy more recently has been to concentrate on its 15 largest customers. This had an adverse affect on revenues in 2007, however management reports that the results for Q4 07 and Q1 08 provide strong evidence that this strategy is the right one. In addition management reports that during Q1 08 the company has entered into committed contracts to be delivered in 2008 which, in terms of value, exceed the revenues for the whole of 2007.

A major development took place in December 2007 when the company entered into a joint venture with WebMD (Nasdaq:WBMD). WebMD only operates within the United States and enjoys a 90% market share of the online medical education market in US. The joint venture has created a new portal (www.medcenter.com/medscape) which combines WebMD's content and the company's relationships with physicians and medical societies, commencing with Latin America.

As at 30 June 2008, the carrying value of the company's investment in Medcenter was 4p per share.

Legacy Portfolio

The company reiterates its policy of disposing of its investment in the legacy portfolio at the earliest possible time. As at 30 June 2008, the aggregate carrying value of these investments was £36,000.

Since the balance sheet date, the company received €32,000 in respect of Netfractal, one of its legacy investments, following the disposal of its underlying business. An additional amount is due to be received in 2010 of up to £175,000.

Net asset values (excluding the accounting effects of the consolidation of Eclectic Bars Limited) per Avanti share by category

Investment	Carrying value as at 30 June 2008 Pence per share
Eclectic Bars	97
Espresso	4
mBlox	72
Medcenter	4
Others	1
Net current assets (including cash)	11
Total	**189**

Note:
The above figures do not take account of any dilutory effect of the LTISS options or the carried interest under the investment advisory agreement (refer to Report of the Directors).

Purchase of own shares

During the year, there has been no purchase by the company of its own shares.

As stated previously, the board reaffirms its policy of the company making purchases of its own shares in circumstances where it believes the net asset value per share is likely to be increased.

J M Fellerman
R H Kleiner
Directors

10 November 2008

Statement of corporate governance

Compliance with the 2003 FRC Combined Code

The company is not required to comply with the 2003 FRC Combined Code. Set out below are the corporate procedures that have been adopted.

The Board

The board of Avanti Capital plc is the body responsible for the group's objectives, its policies and the stewardship of its resources. At the balance sheet date, the board comprised two directors (Julian Fellerman and Richard Kleiner) and two non-executive directors (Philip Crawford and William Crewdson).

The board has six board meetings during the year. There are two non-executives that sit on both the audit and the remuneration committees, namely Philip Crawford and William Crewdson. Philip Crawford is both the chairman of the audit committee and the remuneration committee. The terms of reference of both these committees have been approved by the board.

Remuneration committee

The committee's responsibilities include the determination of the remuneration and options of other directors and senior executives of the group and the administration of the company's option schemes and arrangements. The committee takes appropriate advice, where necessary, to fulfil this remit.

Audit committee

The committee meets twice a year including a meeting with the auditors shortly before the signing of the accounts. The terms of reference of the audit committee include: any matters relating to the appointment, resignation or dismissal of the external auditors and their fees; discussion with the auditors on the nature, scope and findings of the audit; consideration of issues of accounting policy and presentation; monitoring the work of the review function carried out to ensure the adequacy of accounting controls and procedures.

Nomination committee

The company does not maintain a nomination committee. Any board appointments are dealt with by the board itself.

Internal control

The board is responsible for the group's system of internal control and for reviewing the effectiveness of the system of internal control. Internal control systems are designed to meet the particular needs of a business and manage the risks but not to eliminate the risk of failure to achieve the business objectives. By its nature, any system of internal control can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The 2003 FRC Combined Code introduced a requirement for the board to review the effectiveness of the group's system of internal control, including financial, operational, compliance and risk management. Guidance for directors on the Combined Code: Internal Control: Guidance for Directors on the Combined Code ("The Turnbull Report") was published in September 1999. In view of the relative size of the organisation and the "hands-on" approach of the executive directors toward systems and risk, the board does not have the resources to meet the requirements outlined in The Turnbull Report.

Internal audit

Given the size of the group, the board does not believe it is appropriate to have a separate internal audit function. The group's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and are dealt with appropriately.

Relations with shareholders

Aside from announcements that the company makes periodically to the market, the board uses the annual general meeting to communicate with private and institutional investors and welcomes their participation.

Going concern

On the basis of the current financial projections, the directors have a reasonable expectation that the company and the group have adequate financial resources to continue in operational existence for the foreseeable future. The directors accordingly have adopted the going concern basis in the preparation of the group's accounts.

Directors' report
for the year ended 30 June 2008

The directors present their report with the audited consolidated financial statements for the year ended 30 June 2008.

Results and dividends

The loss for the year before taxation of the group amounted to £2.6 million (2007 – loss £125,000) and the loss for the year after taxation and minority interest of the group amounted to £2.6 million (2007 – loss £125,000) which was equivalent to a loss of 32.84p per share (2007 – 1.50p per share) and the net assets of the group were £11.4 million (2007 – £14.0m).

The directors do not recommend the payment of a dividend for the year ended 30 June 2008 (2007 – £nil).

Principal activity and review of the business

The company's principal activity during the year continued to be that of a private equity and ancillary services company. The principal activity of Eclectic Bars Limited, one of the group's subsidiary undertakings was as an operator of bars and night clubs. Further details are set out in the company statement on pages 3 to 5.

The principal risks and uncertainties facing the business are investment risk, interest risk and liquidity risk. With the exception of the investment in mBlox, the group does not have a material exposure to foreign currency risk.

The various categories of risk are proactively managed to ensure exposure to risk is mitigated whenever possible and appropriate. The board has assessed that the Key Performance Indicator that is the most effective measure of progress towards achieving the group's strategies and as such towards fulfilling the group's objectives is the net asset value per share. Further details of this are set out in Note 27.

International financial reporting standards

This is the first year the group reports its results under IFRS which have been adopted with effect from 1 July 2007. This change to the accounting basis arises from legislation requiring all EU listed companies (including AIM companies) to apply these standards to their financial statements. Comparative figures for 2006 have been restated in accordance with IFRS. The impact of the first time adoption of IFRS is disclosed in Note 28.

Future developments

The company will be pursuing its policy of maximising the value of its investments and, at the appropriate time, to realise such investments.

Directors and their interests

The directors during the year were as follows:

P J Crawford
J M Fellerman
R H Kleiner
W A H Crewdson

The interests of the directors and their immediate families and the interests of persons connected with the directors for the purposes of section 346 of the Companies Act 1985 in the issued ordinary share capital of the company as at 30 June 2008 (all of which are beneficial unless otherwise noted) are as follows:

	Number of ordinary issued shares	
	As at 1 July 2007	**As at 30 June 2008**
P J Crawford	391,923	**391,923**
J M Fellerman	444,182	**444,182**
R H Kleiner	444,182	**444,182**
W A H Crewdson	–	–

The rights of the directors to subscribe for shares in Avanti Capital plc, their immediate families and persons connected with the directors for the purposes of section 246 of the Companies Act 1985 are as follows:

Rights to subscribe for shares	At 1 July 2007 or date of appointment if later	Granted	Cancelled	Exercised	**At 30 June 2008**
J M Fellerman	–	–	–	–	–
R H Kleiner	–	–	–	–	–

As at 30 June 2008 there remains 1,289,452 options to subscribe for ordinary shares in the capital of the company at 150 pence per share under the company's Long Term Share Scheme ("LTISS"). Following the changes to the management structure, the directors holding the options agreed to cancel the LTISS options granted to them as a result of the implementation of the management agreement in October 2006. The remaining options are all held by previous directors. The terms of the LTISS are such that the options are exercisable at a price of 150p per share subject to the company's share price or net asset value reaching certain specified targets. The options, which were granted on 10 January 2002 expire on 9 January 2012.

As reported in last year's annual report, the company had an investment advisory agreement with Odyssey Partners Limited ("OPL"). The principal terms of the investment advisory agreement are that OPL, a company controlled by Julian Fellerman and Richard Kleiner, provided all of the functions previously carried out by the executive management team in respect of the group's portfolio. OPL bore all of its internal overheads and was paid an annual fee equal to 3% of the net asset value of the company as at October 2006, the date the investment agreement was entered into. In addition, OPL had a carried interest by reference to the realisations achieved in relation to the assets. The threshold, after which the carried interest becomes payable, was based on realisations of not less than £12.7m or 150 pence per share (based on the issued share capital of the company on 11 October 2006). There was a hurdle of 6% per annum to protect the company from the effects of time in relation to the realisation of the portfolio. Once realisations were achieved in excess of £12.7m, provided that the return to the company would be at least that amount together with the hurdle, then in relation to any excess, OPL was entitled to 25% of such excess up to £15.2m of realisations or 179 pence per share. OPL's share was increased by 5% for each £2.5m in excess of £15.2m up to a maximum of 40% for realisations in excess of £20.2m or 239 pence per share.

Report on directors' remuneration

The remuneration of the directors for the year ended 30 June 2008 is as follows:

	Basic salary and fees £	Benefits £	Bonus £	Compensation for loss of office £	**Total** £	2007 Total
Directors						
J M Fellerman	–	–	–	–	**–**	190,764
R H Kleiner	–	–	–	–	**–**	189,571
Non-executive directors						
P J Crawford	25,000	954	–	–	**25,954**	26,015
W A H Crewdson	15,000	–	–	–	**15,000**	15,000
J M Fellerman	–	954	–	–	**954**	3,750
R H Kleiner	–	907	–	–	**907**	3,750
	40,000	2,815	–	–	**42,815**	428,850

(1) The above figures represent the due proportion of each director's annual salary reflecting the period during the year for which each director was a director of the company.

(2) There were no pension payments in respect of either year.

(3) During the year, as part of the management agreement entered into between the company and Odyssey Partners Limited, Odyssey Partners Limited received fees totalling £457,000 (2007: £335,237) including the non-executive directors' fees of Julian Fellerman and Richard Kleiner.

The remuneration committee comprises Philip Crawford (chairman) and William Crewdson. Its terms of reference are concerned principally with the remuneration packages offered to directors in that they should be competitive and are designed to attract, retain and motivate directors of the right calibre.

Significant shareholding

As at 3 July 2008, the company's significant shareholders were Moorfield Group Limited 12.5%, Mr. R J R French 8.4%, Marlborough Fund Managers Limited 7.6% and Aviation Adventures Limited 4.1%.

Employee involvement

The group is aware of the importance of good communication in relationships with its staff. The group follows a policy of encouraging training and regular meetings between management and staff in order to provide common awareness on the part of staff of the financial and economic circumstances affecting the group's performance.

Disabled persons

The group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Policy and practice on payment of creditors

It is the group's policy to settle all agreed liabilities within the terms established with suppliers. During the year the average credit period taken was 30 days (2007 – 45 days).

Purchase of own shares

During the year under, the company has not purchase any of its own shares. The board intends to pursue the purchase by the company of its own shares where it believes will enhance the value per share to the continuing shareholders.

Post balance sheet event

In November 2008, the company entered into a new arrangement with Odyssey Partners Limited in relation to the management of the group's portfolio. The new terms have the impact of reducing the management fees payable by 45% and similarly reducing the hurdle over which the carried interest has a positive value, from 150p per share to 82.5p per share (a 23% premium to the share price as at 4 November 2008). Under the new arrangements, the value of the carried interest is dependant on both the net asset values and the dates of realisation. On the basis of net asset values as at 30 June 2008, the value of the carried interest would be as follows:

Date of realisation	£
Up to 28 February 2009	1.07m
From 1 March 2009 to 31 May 2009	1.47m
From 1 June 2009 to 31 August 2009	1.87m
From 1 September 2009 to 30 November 2009	2.27m
From 1 November 2009	2.67m

Companies Act 2006

The Companies Act 2006 (the "Act") sets out directors' general duties which largely codify the existing law but with some changes. Under the Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The article proposed to be adopted by resolution 8 set out in the notice of annual general meeting of the company (the 'New Article') gives the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is proposed that the New Article should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

Auditors

In accordance with section 385 of the Companies act 1985, a resolution that Ernst & Young LLP be re-appointed will be put to the members at the Annual General Meeting.

Disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on Page 2. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

Julian Fellerman
Secretary

10 November 2008

10 Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare group and parent company financial statements for each financial year which present fairly the financial position of the group and parent company and the financial performance and cash flows of the group and parent company for that year. In preparing those group and parent company financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and parent company's financial position and financial performance; and
- state that the group and parent company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and parent company and to enable them to ensure that the group and parent company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

11 Report of the independent auditors to the members of Avanti Capital plc

We have audited the group and parent company financial statements (the "financial statements") of Avanti Capital Plc for the year ended 30 June 2008 which comprise state the primary financial statements such as the Consolidated Income Statement, the Consolidated Statement of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the company statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the company statement and the Statement of Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
London

10 November 2008

Consolidated income statement
for the year ended 30 June 2008

	Notes	2008 £000	2007 £000
Revenue	3	**10,138**	12,712
Cost of sales		**(1,677)**	(2,112)
GROSS PROFIT		**8,461**	10,600
Administrative expenses – others		**(7,977)**	(13,194)
Administrative expenses – exceptional items	4	**(243)**	(1,471)
OPERATING PROFIT/(LOSS)		**241**	(4,065)
(Loss)/Gain on disposal of tangible assets		**(1)**	374
Finance revenue	9	**91**	3,571
Finance cost	10	**(2,966)**	(5)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(2,635)**	(125)
Tax expense	11	**–**	–
LOSS FOR THE YEAR		**(2,635)**	(125)
Loss per share – basic and diluted	13	**(32.84)p**	(1.50)p

Consolidated balance sheet
at 30 June 2008

	Notes	2008 £000	2007 £000
ASSETS			
Non current assets			
Intangible assets	14	**4,454**	4,454
Property, plant & equipment	15	**2,088**	871
Financial assets held at fair value through profit or loss	16	**6,477**	9,276
		13,019	14,601
Current assets			
Inventories	17	**129**	80
Trade and other receivables	18	**1,102**	967
Cash and cash equivalents	19	**1,084**	1,457
		2,315	2,504
TOTAL ASSETS		**15,334**	17,105
LIABILITIES			
Current liabilities			
Financial liabilities	24	**(724)**	(121)
Trade and other payables	20	**(1,257)**	(1,144)
		(1,981)	(1,265)
Non current liabilities			
Financial liabilities	24	**(977)**	(5)
Provisions	21	**(995)**	(1,819)
		(1,972)	(1,824)
TOTAL LIABILITIES		**(3,953)**	(3,089)
NET ASSETS		**11,381**	14,016
EQUITY			
Issued share capital	22	**4,815**	4,815
Capital redemption reserves	23	**1,409**	1,409
Other reserves	23	**2,045**	2,045
Retained earnings	23	**3,112**	5,747
TOTAL EQUITY		**11,381**	14,016

Julian Fellerman – Director

Richard Kleiner – Director

10 November 2008

14 Consolidated statement of changes in equity
at 30 June 2008

	Issued share capital £000	Other reserves £000	Capital redemption reserves £000	Minority interest £000	Retained earnings £000	Total £000
At 1 July 2006	5,131	2,045	1,093	1	6,540	14,810
Own shares acquired	(316)	–	316	–	(668)	(668)
Loss for the year	–	–	–	(1)	(125)	(126)
At 30 June 2007	4,815	2,045	1,409	–	5,747	14,016
Loss for the year	–	–	–	–	(2,635)	(2,635)
At 30 June 2008	4,815	2,045	1,409	–	3,112	11,381

Company balance sheet
at 30 June 2008

	Notes	2008 £000	2007 £000
ASSETS			
Non current assets			
Property, plant & equipment	15	**10**	3
Financial assets held at fair value through profit or loss	16	**10,972**	10,728
		10,982	10,731
Current assets			
Trade and other receivables	18	**679**	810
Cash and cash equivalents	19	**741**	1,387
		1,420	2,197
TOTAL ASSETS		**12,402**	12,928
LIABILITIES			
Current liabilities			
Trade and other payables	20	**(56)**	(211)
Non current liabilities			
Provisions	21	**(995)**	(1,819)
TOTAL LIABILITIES		**(1,051)**	(2,030)
NET ASSETS		**11,351**	10,898
EQUITY			
Issued share capital	22	**4,815**	4,815
Capital redemption reserves	23	**1,409**	1,409
Other reserves	23	**2,045**	2,045
Retained earnings	23	**3,082**	2,629
TOTAL EQUITY		**11,351**	10,898

Julian Fellerman – Director

Richard Kleiner – Director

10 November 2008

16 Consolidated cash flow statement
for the year ended 30 June 2008

	Notes	2008 £000	2007 £000
Operating activities			
Loss before tax from operation	*	**(2,635)**	(125)
Depreciation and impairment of property, plant and equipment	15	**352**	362
Gain/(loss) on financial assets at fair value through profit or loss	10	**2,906**	(3,500)
(Loss) on disposal of property, plant and equipment		**–**	(374)
Provision against fixed asset held at fair value through profit or loss		**3**	635
Increase/(decrease) in provision for carried interest	21	**(824)**	1,819
(Increase)/decrease in inventories	17	**(49)**	121
(Increase) in trade and other receivables		**(137)**	(121)
Increase in trade and other payables		**105**	1,024
Net cash from operating activities		**(279)**	(159)
Investing activities			
Purchase of property, plant & equipment	15	**(1,575)**	(87)
Purchase of intangible assets		**–**	(334)
Purchase of investments	16	**(128)**	(52)
Proceeds from sale of property, plant & equipment		**4**	3
Proceeds from sale of intangible fixed assets		**–**	740
Receipts from sale of fixed asset investments		**21**	94
Net cash flows used in investing activities		**(1,678)**	364
Financing activities			
Purchase of own shares		–	(668)
Increase in bank overdraft		**256**	117
Increase on short term borrowings	24	**242**	–
Increase on long term borrowings	24	**820**	–
Capital element on finance lease rental payments		**266**	–
Net cash flows used in financing activities		**1,584**	(551)
Net decrease in cash and cash equivalents		**(373)**	(346)
Cash and cash equivalents at 1 July		**1,457**	1,803
Cash and cash equivalents at 30 June		**1,084**	1,457

*** Exceptional Items**

Cash flows relating to operating exceptional items

In the current year there were operating cash outflows from exceptional items relating to redundancy and restructuring charges of £150,000 (2007 – £1.3m) and cost of abortive projects of £93,000 (2007 – £17,000).

17 Notes to the consolidated financial statements
at 30 June 2008

1. Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of Avanti Capital Plc and its subsidiaries (the Group) for the year ended 30 June 2008 were authorised for issue by the board of directors on 10 November 2008 and the balance sheet was signed on the board's behalf by Julian Fellerman and Richard Kleiner. Avanti Capital Plc is a public limited company incorporated and domiciled in England and Wales. The company's ordinary shares are traded on the Alternative Investment Market.

The group and parent company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to financial statements of the group and parent company for the year ended 30 June 2008.

The principal accounting policies adopted by the group and parent company are set out in note 2. No profit or loss account is presented for the company as permitted by Section 230 of the Companies Act 1985.

2. Accounting policies

Basis of preparation

The group and parent company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to financial statements of the group and parent company for the year ended 30 June 2008 and applied in accordance with the Companies Act 1985. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 June 2008.

The group and parent company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The group and parent company financial statements have been prepared under the historical cost convention as modified by certain financial instruments.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following new and amended IFRS and IFRIC Interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the group. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 — Financial instruments – disclosure
- IFRS 8 — Operating segments
- IAS 1 — Amendment – presentation of financial statements
- IFRIC 10 — Interim financial reporting and impairment

In the consolidated cash flow statement, fair value on non current assets which were previously shown as Revaluation Reserves under the UK GAAP are now reflected as Finance Revenue under IFRS.

The principle impacts of adopting IFRS and the disclosures required by IFRS1 concerning the transition from UK GAAP to IFRS are shown in Note 28.

IFRS 7 – Financial instruments – Disclosure
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the group's instruments and the nature and extent of risks arising from those financial statements. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IFRS 8 – Operating segments
This standard requires disclosure of information about the group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the group. The group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting.

IAS 1 – Presentation of financial statements
This amendment requires the group to make new disclosures to enable users of the financial statements to evaluate the group's objectives, policies and processes for managing capital. These new disclosures are shown in Note 27.

IFRIC 10 – Interim financial reporting and impairment
The group adopted IFRIC Interpretation 10 as of 1 July 2006, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As required under IFRS 1 concerning transition from UK GAAP to IFRS, the impact on the performance of the group is reflected in Note 28.

2. Accounting policies (continued)

Judgements and key sources of estimation and uncertainty

The preparation of the group and parent company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts assets and liabilities at the balance sheet date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the group and parent company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Financial assets at fair value through profit or loss
The financial assets at fair value through profit or loss are valued in accordance with the accounting policy set out later in this note on page 20. In certain cases, the group is required to make estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. Further details are given in note 16.

Operating lease commitments
The group has entered commercial property leases as lessor on its investment property portfolio and as a lessee it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risk and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Impairment of non-financial assets
The group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financials assets are tested for impairment when there are indicators that the carrying amounts are not recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset to cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at 30 June 2008 was £22.5m (2007: £22.1m) and deferred tax assets of £6.3m (2007: £6.6m) have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group.

Basis of consolidation

The Consolidated financial statements include the financial statements of Avanti Capital plc and the entities it controls (its subsidiaries) for the periods reported.

For the purposes of preparing these consolidated accounts, subsidiaries are those entities controlled by the group. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is achieved through direct or indirect ownership of voting rights, by way of contractual agreement. The financial statements of subsidiaries, which are prepared for the same reporting period, are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances, income and expenses and unrealised gains and losses resulting from the intra-group transactions are eliminated in full. Accounting policies of subsidiary entities are consistent with the group accounting policies disclosed here.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the group and is presented separately within equity in the consolidated balance sheet, separate from parent shareholders' equity.

2. Accounting policies (continued)

Foreign currency translation
The consolidated financial statements are presented in Sterling pounds, which is the group and parent company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the balance sheet date. All differences are taken to the income statement. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Property, plant and equipment
Plant and equipment is stated at cost less accumulated depreciation. Such cost includes costs directly attributable to making the asset capable of operating as intended. All major repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Leasehold improvements – 4 years
Furniture and fittings – 4 years
IT equipment – 3 years
Motor vehicles – 3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

Borrowing costs
Borrowing costs are recognised as an expense when incurred.

Business combinations and goodwill
Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are signed to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Goodwill
The group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing that the recoverable amount of the cash generating units, to which goodwill relates. Where the recoverable amount of the cash generating units is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 30 June.

Investments and other financial assets
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The group currently holds no held-to-maturity or available for sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

2. Accounting policies (continued)

The group determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date the group commits to purchase or sell the asset. Regular way purchases or sales of financial assets that require delivery of assets within the period are generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains and losses on investments held for trading are recognised in the income statement.

Financial assets, comprising equity shares and share options, are valued in accordance with the "Guidelines for the valuation and disclosure of venture capital portfolios" published by the British Venture Capital Association on the following basis:

(a) Early stage investments: these are investments in immature companies, including seed, start-up and early stage investments. Such investments are valued at a cost less any provision considered necessary, until no longer viewed as early stage or unless a significant transaction involving an independent third party at arm's length, values the investment at a materially different value;

(b) Development stage investments: such investments are in mature companies having a maintainable trend of sustainable revenue and from which an exit, by way of flotation or trade sale, can be reasonably foreseen. An investment of this stage is periodically re-valued by reference to open market value. Valuation will usually be by one of four methods as indicated below:

i. At cost for at least one period unless such a basis is unsustainable;

ii. On a third party basis based on the price at which a subsequent significant investment is made involving a new investor;

iii. On an earnings basis, but not until at least a period since the investment was made, by applying a discounted price/earnings ratio to profit after taxation, either before or after interest; or

iv. On a net asset basis, again applying a discount to reflect the illiquidity of the investment.

(c) Quoted investments: such investments are valued using the quoted market price, discounted if the shares are subject to any particular restrictions or are significant in relation to the issued share capital of a small quoted company.

A review of impairment in value is undertaken by reference to funding, investment or offers in progress after the balance sheet date and provision is made accordingly where an impairment in value is recognised.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payment that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and loses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The group assess at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of allowance account. The amount of the loss shall be recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the income statement.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

2. Accounting policies (continued)

Fair value
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Inventories
Inventories are valued at the lower of cost and net realisable value. Cost includes all cost incurred in bringing each product to its present location and condition as follows:

- Consumables and goods for resale – purchase cost on first in first out basis

Cash and cash equivalents
Cash and short term deposits in the balance sheet comprise cash at bank and short term deposits with an original entity for 3 months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial liabilities

Interest bearing loan and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

De-recognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The group retains the right to receive cash flows from the assets, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The group has transferred its rights to receive cash flows from the asset and neither (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

When continuing involvement takes the form of a written and/or purchase option (including a cash settled option or similar provision) on the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modifications is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the difference in the respective carrying amounts is recognised in the income statement.

2. Accounting policies (continued)

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increased in the provision due to the passage of time is recognised as a finance cost.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the group substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term.

Operating lease rentals are charged to the income statement on an accrual basis over the term of the lease.

Operating exceptional items

Operational exceptional items are treated as such if the matters are material and fall within one of the categories below:

(a) Restructuring costs of an activity of the group;

(b) Disposals of property and investments;

(c) Abortive deals;

(d) Litigation settlements; and

(e) Reversal of provisions

Revenue recognition

Revenue is recognised to the extent that it probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and Value Added Taxes.

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income is recognised as interest accrues (using the effective interest rate).

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. Accounting policies (continued)

- in respect of taxable temporary difference associated with an investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductable temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductable temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductable temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax income assets is review at each balance sheet date and reduced to the extent that it is no longer probable that sufficient to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS / IFRS)		**Effective date**
IFRS 2	Amendments to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23	Borrowing Costs (revised March 2007)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

IAS 23 has been revised to require capitalisation of borrowing cost when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional provisions in the Standard, the group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date of 1 January 2009. No changes will be made for borrowing costs incurred prior to this date that have been expensed.

Whilst the revised IAS 1 will have no impact on the measurement of the group's results or net assets it is likely to result in certain changes in the presentation of the group's financial statements from 2009 onwards.

IFRS 8 requires disclosure based on information presented to the board. Whilst this is not expected to change the business segments about which information is given, the secondary segment information will be replaced by group-wide analysis of revenues and non-current assets by major geographic area. We do not expect to have customers that individually account for more than 10% of total revenue.

The amendment to IFRS 2 restricts the definition of vesting conditions to include only service conditions (requiring a specified period of service to be completed) and performance conditions (requiring the other party to achieve a personal goal or contribute to achieving a corporate target). All other features are not vesting conditions, and whereas a failure to achieve such a condition was previously regarded as a forfeiture (giving rise to a reversal of amounts previously charged to profit) it must be reflected in the grant date fair value of the award and treated as a cancellation, which results in either an acceleration of the expected charge, or a continuation over the remaining vesting period, depending on whether the condition is under the control of the entity or counterparty. The amendment is mandatory for periods beginning on or after 1 January 2009 and the group is currently assessing its impact on the financial statements, although it is not expected to be material.

2. Accounting policies (continued)

The group does not anticipate early adoption of the revised IFRS 3 and so will apply it prospectively to all business combinations on or after 1 July 2009. Whilst it is not possible to estimate the outcome of adoption, the key features of the revised IFRS 3 include a requirement for acquisition-related costs to be expensed and not included in the purchase price; and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill). The standard also changes the treatment of non-controlling interests (formerly minority interest) with an option to recognise these at full fair value as at the acquisition date and a requirement for previously held non-controlling interest to be fair valued as at the date control is obtained, with gains and losses recognised in the income statement.

IAS 27 revised is effective for annual periods beginning on or after 1 July 2009, with early application only permitted when the revised IFRS 3 is applied. The revised standard applies retrospectively with some exceptions. IAS 27 revised no longer restricts the allocations to minority interest of losses incurred by a subsidiary to the amount of the non-controlling equity investment in the subsidiary. A partial disposal of equity interest in a subsidiary that does not result in a loss of control will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to any gain or loss. Where there is a loss of control of a subsidiary, any retained interest will have to be re-measured to fair value, which will impact the gain or loss recognised on disposal. The group is currently assessing the impact on its financial statements from adopting IAS 27 revised.

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the group's financial statements in the period of initial application.

3. Segmental information

The primary reporting format is determined to be business segments as the group's risks and rates of return are affected predominantly by differences in the business segments. Secondary segment information is reported Geographically. For management purposes, the group organised into business units based on their products and services, and has 2 reportable business segments as follows:

Investment and ancillary services provides management services in respect of the investment market.

Bar and night clubs segment relates to the UK late-nights, entertainment-led venues and restaurants.

Primary reporting format – business segments

The following tables present revenue and loss and certain asset and liability information regarding the group's business segments for the years ended 30 June 2008 and 2007.

3. Segmental information (continued)

Year ended 30 June 2008

	Investments & ancillary £000	Bars & Night clubs £000	Eliminations £000	Total £000
Revenue				
Sales to external customers	2	10,136	–	10,138
Inter segment sales	105	–	(105)	–
Segment revenue	107	10,136	(105)	10,138
Results				
Segment results	177	64	–	241
Group operating profit	177	64	–	241
Loss on disposal of tangible assets	(1)	–	–	(1)
Net finance revenue	329	(298)	–	31
Fair valuation of assets held at fair value through profit or loss	(2,906)	–	–	(2,906)
Loss before taxation	(2,401)	(234)	–	(2,635)
Tax expense	–	–	–	–
Loss for the year	(2,401)	(234)	–	(2,635)

	Investments & ancillary £000	Bars & Night clubs £000	Eliminations £000	Total £000
Assets and liabilities				
Segment assets	945	7,912	–	8,857
Financial assets held at fair value through profit or loss	6,477	–	–	6,477
Total assets	7,422	7,912	–	15,334
Segment liabilities	995	2,958	–	3,953
Total liabilities	995	2,958	–	3,953

	Investments & ancillary £000	Bars & Night clubs £000	Eliminations £000	Total £000
Other segment liabilities				
Capital expenditure:				
Property, plant and equipment – additions	10	1,565	–	1,575
Financial assets held at fair value through profit or loss – additions	128	–	–	128
Depreciation	3	349	–	352

3. Segmental information (continued)

Year ended 30 June 2007

	Investments & ancillary £000	Bars & Night clubs £000	Eliminations £000	Total £000
Revenue				
Sales to external customers	59	12,653	–	12,712
Inter segment sales	105	–	(105)	–
Segment revenue	164	12,653	(105)	12,712
Results				
Segment results	(2,643)	(721)	(701)	(4,065)
Group operating (loss)	(2,643)	(721)	(701)	(4,065)
Gain on disposal of tangible assets	–	374	–	374
Net finance revenue	265	(199)	–	66
Fair valuation of assets held at fair value through profit or loss	3,500	–	–	3,500
Profit/(Loss) before taxation	1,122	(546)	(701)	(125)
Tax expense	–	–	–	–
Profit/(Loss) for the year	1,122	(546)	(701)	(125)
Assets and liabilities				
Segment assets	1,617	6,212	–	7,829
Financial assets held at fair value through profit or loss	9,276	–	–	9,276
Total assets	10,893	6,212	–	17,105
Segment liabilities	1,885	1,204	–	3,089
Total liabilities	1,885	1,204	–	3,089
Other segment liabilities				
Capital expenditure:				
Property, plant and equipment – additions	–	87	–	87
Financial assets held at fair value through profit or loss – additions	52	–	–	52
Depreciation	14	348	–	362

3. Segmental information (continued)

Secondary reporting format – Geographical segments

The following tables present revenue, expenditure and certain asset information regarding the group's geographical segments for the years ended 30 June 2008 and 2007.

Year ended 30 June 2008

	UK £000	USA £000	Total £000
Revenue			
Sales to external customers	10,138	–	10,138
Revenue from continuing operations	10,138	–	10,138
Other segment information			
Segment assets	8,857	–	8,857
Financial assets held at fair value through profit or loss	348	6,129	6,477
Total assets	9,205	6,129	15,334
Capital expenditure:			
Property, plant and equipment	1,575	–	1,575
Intangible assets	–	128	128

Year ended 30 June 2007

	UK £000	USA £000	Total £000
Revenue			
Sales to external customers	12,712	–	12,712
Revenue from continuing operations	12,712	–	12,712
Other segment information			
Segment assets	7,829	–	7,829
Financial assets held at fair value through profit or loss	436	8,840	9,276
Total assets	8,265	8,840	17,105
Capital expenditure:			
Property, plant and equipment	87	–	87
Intangible assets	–	–	–

4. Exceptional items

	2008 £000	2007 £000
Provision for impairment of financial assets held at fair value through profit or loss	**2**	88
Deal and merger costs:		
– Redundancy costs	**10**	552
– Cost on abortive projects	**93**	17
– Others	**–**	7
Restructuring charges	**138**	807
	243	1,471

The proportion of exceptional items that relate to minority interests is £55,000 (2007 – £338,000). Any charges or expenses in respect of minority interests are not considered recoverable and accordingly are not treated as such in the financial statements.

Notes to the consolidated financial statements
at 30 June 2008

5. Operating loss

This is stated after charging/crediting:

	2008 £000	2007 £000
Depreciation of property, plant and equipment	**352**	362
Net foreign currency differences	**19**	(547)
Cost of inventories recognised as an expense (included in cost of sales)	**1,677**	2,112
Operating lease payments	**1,276**	1,276
Net gains/(losses) on:		
Provision for carried interest	**824**	(1,819)

6. Audistors' remuneration

	2008 £000	2007 £000
Audit of the group's financial statements	**50**	31
Other fees to auditors:		
– auditing the accounts of subsidiaries	25	20
	75	51

7. Staff costs

	2008 £000	2007 £000
Wages and salaries	**2,323**	2,196
Social security costs	**182**	248
	2,505	2,444

There were no pension contributions during the year.

The average monthly number of employees during the year was as follows:

	2008 No.	2007 No.
Investment holdings	**4**	5
Bar and night clubs		
– Bar staff	**415**	300
– Head office	**14**	20
	433	325

8. Directors' remuneration

	2008 £000	2007 £000
Emoluments	**43**	129
Compensation for loss of office	**–**	300
	43	429

An analysis of directors' remuneration is set out in the directors' report. There were no pension payments in respect of either year. Included in the report on directors' remuneration are details of fees payable to Odyssey Partners Limited, a company controlled by Julian Fellerman and Richard Kleiner, in respect of the investment management agreement between the company and Odyssey Partners Limited.

9. Finance income

	2008 £000	2007 £000
On deposits and liquid funds	**91**	71
Fair valuation of financial assets through profit or loss	**–**	3,500
	91	3,571

10. Finance cost

	2008 £000	2007 £000
Bank loans and overdrafts	**60**	5
Fair valuation of financial liabilities through profit or loss	**2,906**	–
	2,966	5

Details of the movements during the year for financial assets held at fair value through profit or loss are set out in note 16.

11. Taxation

The major components of income tax for the years ended 30 June 2008 and 2007 are:

(a) Analysis of charge in year:

	2008 £000	2007 £000
Current tax		
UK corporation tax on the profit for the year	**–**	–
Deferred tax		
Excess capital allowance over depreciation (note 11(c))	**–**	–
Total tax charge for year	**–**	–

(b) Factors affecting current tax charge for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2008 £000	2007 £000
Loss on ordinary activities before tax	**(2,635)**	(125)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 – 30%)	**(791)**	(38)
Effects of:		
Disallowable expenses and non-taxable income	**13**	381
Depreciation in excess of capital allowances	**22**	36
Losses arising in the current year not relievable against current tax	**909**	970
Losses brought forward utilised	**(153)**	(111)
IFRS adjustments	**–**	(1,238)
Current tax for the year (note 11a)	**–**	–

(c) Deferred tax

	2008 £000	2007 £000
Excess capital allowances over depreciation	**–**	–

11. Taxation (continued)

The group has tax losses arising in the UK of approximately £22.5m (2007 – £22.1m) that are available indefinitely for offset against future taxable profits of those companies in which the losses arose. Deferred tax assets of £6.3m (2007 – £6.6m) have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group.

(d) Factors affecting future tax charge

Finance Act 2007 changed the standard date of UK corporation tax from 30% to 28% from 1 April 2008. This rate change will affect the amount of future cash tax payments to be made by the group. Also as a result of this change, the unrecognised deferred tax as at 30 June 2008 has been calculated at the new standard rate of tax.

12. Dividends

No dividend will be declared for the year ended 30 June 2008 (2007 – £nil).

13. Loss per share

The basic (loss) per share calculation is based on the group's retained loss for the year of £2.635 million (2007 – £125,000) and the weighted average number of shares in issue for the year of 8,025,752 (2007 – 8,333,945).

The loss attributed to ordinary shareholders and the weighted average number of shares for the purposes of calculating the diluted earnings per share is identical to those used for basic earnings per share.

14. Intangible assets

	Positive Goodwill £000	Negative Goodwill £000
Cost:		
At 1 July 2007	4,454	(1,749)
Addition	–	–
Disposal	–	–
At 30 June 2008	4,454	(1,749)
Amortisation and impairment		
At 1 July 2007	–	(1,749)
Provided during the year	–	–
At 30 June 2008	–	(1,749)
Net book value as at 30 June 2008	4,454	–
Net book value as at 30 June 2007	4,454	–

Goodwill acquired through business contributions has been allocated for impairment testing purposes to the main cash generating units being the sites owned and operated by Eclectic Bars Limited.

These sites (bars and night clubs) represent the lowest level within the group at which goodwill is monitored for internal management purposes.

The calculation of value in use for the bars and night clubs is most sensitive to the following assumptions:

- Gross margin
- Discount rates
- Stock price inflation
- Growth rate used to extrapolate cash flow forecasts

Gross margins are based on results achieved in the period (up to 24 months) preceding the start of the budget period. These are increased over the budget period for anticipated and expected improvements.

14. Intangible assets (continued)

Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess the operating performance and to evaluate future capital investment proposals. The rates applied are based on the spread between current ROCE and base interest rate, adjusted by the forward interest rates at the end of the budget period. Forward rates are obtained from market quotations.

Stock price inflation estimates are obtained from supplies quoted information and managements' view of the market generally.

Growth rate estimates are based on published industry research and managements' own market intelligence.

Sensitivity to changes in assumptions

With regard to the assessment of value, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

15. Property, plant and equipment

Group

	Leasehold improvements £000	IT equipment £000	Furniture and fittings £000	Motor vehicles £000	Total £000
Cost:					
At 1 July 2007	499	264	547	69	1,379
Additions/Adjustments	1,256	24	295	–	1,575
Disposals	–	(10)	–	–	(10)
At 30 June 2008	1,755	278	842	69	2,944
Depreciation:					
At 1 July 2007	35	245	204	24	508
Depreciation charge for the year	118	11	210	13	352
Impairment	–	–	–	–	–
Disposals	–	–	–	(4)	(4)
At 30 June 2008	153	256	414	33	856
Net book value:					
At 30 June 2008	1,602	22	428	36	2,088
At 30 June 2007	464	19	343	45	871

15. Property, plant and equipment (continued)

Company

	IT equipment £000	Furniture and fittings £000	Total £000
Cost:			
At 1 July 2007	195	39	234
Additions	–	10	10
Disposal	–	–	–
At 30 June 2008	195	49	244
Depreciation:			
At 1 July 2007	194	37	231
Depreciation charge for the year	1	2	3
Impairment	–	–	–
Disposal	–	–	–
At 30 June 2008	195	39	234
Net book value:			
At 30 June 2008	–	10	10
At 30 June 2007	1	2	3

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2008 was £266,107 (2007: £9,767). Leased assets and assets under hire purchase contracts are pledged as security for the related finance leases and hire purchase liabilities.

16. Financial assets held at fair value through profit or loss

	Group 2008 £000	**Company 2008 £000**	Group 2007 £000	Company 2007 £000
Unlisted investments	**6,477**	**3,158**	9,276	3,152
Investment in unlisted subsidiaries	**–**	**7,814**	–	7,576
	6,477	**10,972**	9,276	10,728

Group – Unlisted investments

	Cost £000	Provision £000	Revaluation £000	Book value £000
At 1 July 2007	13,554	(9,762)	5,484	9,276
Additions	128	–	–	128
Disposals	(125)	107	–	(18)
Provision	–	(2)	–	(2)
Exchange differences	–	(1)	–	(1)
Transfers	71	(71)	–	–
Revaluation	–	–	(2,906)	(2,906)
At 30 June 2008	13,628	(9,729)	2,578	6,477

The charge/credit to profit and loss in respect of provisions and changes to revaluations are set out in note 10.

The adjustment in the revaluation is in respect of a reduction following the fundraising by mBlox in November 2007 and a further 25% reduction to the carrying value of the group's investment in mBlox which reflects the change in the financial markets in the US and which is considered appropriate by the board.

16. Financial assets held at fair value through profit or loss (continued)

Details of the investments in which the group and the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of Company	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings:			
Avanti Holdings plc	Ordinary shares	100%	Private equity
Avanti Partners (UK) Limited	Ordinary shares	100%	Management services
Avanti Partners NV *	Ordinary shares	100%	Private equity
Eclectic Bars Limited (formerly Barclub Limited)	Ordinary shares	60%	Operation of late night bars and night clubs

Avanti Partners (UK) Limited and Avanti Partners NV are directly owned by Avanti Holdings plc and the rest of the subsidiaries are directly owned by Avanti Capital plc.

* Incorporated in Belgium. All other subsidiaries are domiciled and incorporated in the UK.

The fair values of financial assets are determined in accordance with the valuation guidelines issued by the British Venture Capital Association as set out in accounting policy note 2.

Management has estimated the potential effect of using reasonably possible alternatives for price-earnings ratios would result in the range of difference in fair value from a reduction of approximately £1.4m (2007: £1.2m) using less favourable assumptions to an increase of approximately £600,000 (2007: £1.2m) using more favourable assumptions.

17. Inventories

	2008 £000	2007 £000
Goods for re-sale	**129**	80

18. Trade and other receivables (current)

	Group 2008 £000	**Company 2008 £000**	Group 2007 £000	Company 2007 £000
Trade receivables	**73**	**2**	117	11
Other taxes	**33**	**–**	25	–
Amounts due from subsidiary company	**–**	**571**	–	689
Other debtors	**996**	**106**	825	110
	1,102	**679**	967	810

Trade receivables are non-interest bearing and are generally on a 30-90 days' terms. Fair valuation for the provision of impairment has been considered and no provision was considered necessary.

As at 30 June 2008, the analysis of trade receivables that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
	£000	£000	30 days £000	30-60 days £000	60-90 days £000	90-120 days £000	>120 days £000
2008	73	73	–	–	–	–	–
2007	117	117	–	–	–	–	–

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used.

Of the balance in respect of counterparties with internal ratings, 100% of existing customers are with no history of defaults.

19. Cash and cash equivalents

	Group 2008 £000	**Company 2008 £000**	Group 2007 £000	Company 2007 £000
Cash at bank and on hand	**347**	**4**	74	4
Short-term deposits	**737**	**737**	1,383	1,383
	1,084	**741**	1,457	1,387

20. Trade and other payables (current)

	Group 2008 £000	**Company 2008 £000**	Group 2007 £000	Company 2007 £000
Trade payables	**603**	**8**	439	4
Other taxes and social security costs	**236**	**–**	278	–
Accruals	**418**	**48**	427	207
	1,257	**56**	1,144	211

21. Provision

	Group 2008 £000	**Company 2008 £000**	Group 2007 £000	Company 2007 £000
Carried interest	**995**	**995**	1,819	1,819

The carried interest has been provided on the basis of terms of agreement between the company and Odyssey Partners Limited. The amount has been calculated by reference to the net assets as at 30 June 2008 which assumes that the amounts attributable to each asset will be realised at the amounts so stated. The timing of each asset's realisation event is uncertain.

22. Share capital

	Authorised		Allotted, called up and fully paid	
	2008 No.	2007 No.	**2008 No.**	2007 No.
Ordinary shares of £0.60 each	**20,833,333**	20,833,333	**8,025,752**	8,025,752
	£000	£000	**£000**	£000
Ordinary shares of £0.60 each	**12,500**	12,500	**4,815**	4,815

As at 30 June 2007 there were 8,025,752 ordinary shares of 60 pence each in the capital of the company. There has been no purchase the Company of its own shares during the year. This resulted in there being 8,025,752 ordinary shares of 60p each in issue at the balance sheet date.

23. Reserves

Group

	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 1 July 2007	1,409	2,045	5,747	9,201
Loss retained for the financial year	–	–	(2,635)	(2,635)
At 30 June 2008	1,409	2,045	3,112	6,566

Company

	Capital redemption reserves £000	Other reserves £000	Retained earnings £000	Total £000
At 1 July 2007	1,409	2,045	2,629	6,083
Profit retained for the financial year	–	–	453	453
At 30 June 2008	1,409	2,045	3,082	6,536

24. Interest bearing loans and borrowings

	Effective Interest rates %	**Maturity**	**2008 £000**	2007 £000
Current:				
Obligations under finance leases and hire purchase contracts		**Dec 2011**	109	4
Bank overdrafts		**On demand**	373	117
Other loans:				
£1.209m bank loans (2007: £nil)	2% above base	**Apr 2013**	242	–
			724	121
Non-current:				
Obligations under finance leases and hire purchase contracts		**Dec 2011**	157	5
Other loans:				
£1.209m bank loans (2007: £nil)	2% above base	**Apr 2013**	820	–
			977	5

The bank overdrafts are secured by a floating charge over certain of the assets of Eclectic Bars Limited and its subsidiaries. The bank overdraft has a facility limit of £600,000.

The bank loan is repayable in quarterly instalments of £60,450 and is repayable by April 2013.

25. Transaction with directors

In the period under review, Odyssey Partners Limited, a company in which Julian Fellerman and Richard Kleiner has a material interest, provided investment advisory services amounting to £457,000 (2007- £335,237).

Included in provisions is an amount of £995,000 (2007: £1.819 million) which relates to carried interest that would be payable to Odyssey Partners Limited if the net assets were to be realised at their balance sheet.

26. Commitments and contingencies

Operating lease commitments

At 30 June 2008, the group had total minimum commitments under non-cancellable operating leases as set out below:

	2008 Group £000	**2008 Company £000**	2007 Group £000	2007 Company £000
Land and Buildings				
Operating leases which expire:				
– in less than one year	**10**	**–**	77	–
– within two to five years	**–**	–	–	–
– in over five years	**854**	**–**	824	–
	864	**–**	901	–

Finance lease and hire purchase contracts

At 30 June 2008, the group had total minimum commitments under finance leases and hire purchase contracts as set out below:

	2008 Group £000	2008 Company £000	2007 Group £000	2007 Company £000l
Within one year	109	–	4	–
After one year but no more than five years	157	–	5	–
Total minimum lease payments	266	–	9	–
Less amounts representing finance charges	–	–	–	–
Present value of minimum lease payments	–	–	–	–

Finance assets held at fair value through profit or loss

The company has a cash commitment in respect of one its investments, namely XDL Intervest (USA) Limited Partnership. The company was originally committed to pay a total of CAN$1m (£712,000) to XDL Intervest (USA) Limited Partnership but the commitment has now been capped at CAN$800,000 (£388,000). As at 30 June 2008, CAN$668,038 (£324,000) had been paid leaving an outstanding commitment of CAN$131,962 (£64,000).

27. Post balance sheet event

In November 2008, the company entered into a new arrangement with Odyssey Partners Limited in relation to the management of the group's portfolio. The new terms have the impact of reducing the management fees payable by 45% and similarly reducing the hurdle over which the carried interest has a positive value, from 150p per share to 82.5p per share (a 23% premium to the share price as at 4 November 2008). Under the new arrangements, the value of the carried interest is dependant on both the net asset values and the dates of realisation. On the basis of net asset values as at 30 June 2008, the value of the carried interest would be as follows:

Date of realisation	£
Up to 28 February 2009	1.07m
From 1 March 2009 to 31 May 2009	1.47m
From 1 June 2009 to 31 August 2009	1.87m
From 1 September 2009 to 30 November 2009	2.27m
From 1 November 2009	2.67m

28. Financial risk management objectives and policies

The group's financial instruments comprise fixed asset investments, cash and liquid resources, and various items, such as trade receivables and trade payables that arise directly from its operations. The vast majority of the group's financial investments are denominated in sterling.

The group does not enter into derivatives or hedging transactions.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the group's financial instruments are investment risk, interest rate risk and liquidity risk. With the exception of the investment in mBlox, the group does not have a material exposure to foreign currency risk. The board reviews policies for managing each of these risks, and they are summarised as follows:

28. Financial risk management objectives and policies (continued)

Investment risk
Investment risk includes investing in companies that may not perform as expected. The group's investment criteria focus on the quality of the business and the management team of the target company, market potential and the ability of the investment to attain the returns required within the time horizon set for the investment. Due diligence is undertaken on each investment. The group regularly reviews the investments in order to monitor the level of risk and mitigate exposure where appropriate.

Interest rate risk
The group borrows in currencies to match the denomination at fixed and floating rates of interest to generate the desired interest profile and to manage the group's exposure to interest fluctuations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group's loss before tax (through the impact on floating rate borrowings). There is no impact on the group's equity.

	Increase/decrease In basis points	Effect on profit before tax 2008
2008		
Sterling	+ 100	(12)
U.S Dollar	+ 100	–
Sterling	– 100	12
U.S Dollar	– 100	–
2007		
Sterling	+ 100	–
U.S Dollar	+ 100	–
Sterling	– 100	–
U.S Dollar	– 100	–

Liquidity risk
The group's policy is to finance its operations and expansion through working capital and, in the case of investing in target companies, to raise an appropriate level of acquisition finance.

The table below summarises the maturity profile of the group's financial liabilities at 30 June 2008 and 2007 based on contractual undiscounted payments.

Year ended 30 June 2008

	Total £000	On demand £000	Up to 1 year £000	1-2 years £000	2-5 years £000
Interest bearing loans and borrowings	1,435	373	242	242	578
Trade and other payables	603	–	603	–	–

Year ended 30 June 2007

	Total £000	On demand £000	Up to 1 year £000	1-2 years £000	2-5 years £000
Interest bearing loans and borrowings	337	337	–	–	–
Trade and other payables	439	439	–	–	–

The group aims to mitigate liquidity risk by managing cash generation by its operations, and applying cash collection targets throughout the group. Investment is carefully controlled, with authorisation limits operating up to board level and cash payback periods applied as part of the investment appraisal process.

Credit risk
There are no significant concentrations of credit risk within the group unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represent by the carrying value as at the balance sheet date.

28. Financial risk management objectives and policies (continued)

Short term trade receivables and payables

Amounts dealt with in the numerical disclosures in this note exclude short term debtors and creditors.

There is no material difference between the fair values and book values of any of the group's financial instruments.

Strategies for managing capital

The board view capital as representing the net assets of the group which as at 30 June 2008 amounted to £11.4 million. The primary objective of the group's capital management is to ensure it is able to support its business and maximise shareholder value. The group manages its capital structure and makes adjustments to it, in light of economic conditions. No changes were made in the objectives or policies during the years ended 30 June 2008 and 30 June 2007.

Financial assets

The group has financial assets as shown below:

Currency	**Floating rate financial assets 2008 £000**	**Non-interest bearing financial assets 2008 £000**	Floating rate financial assets 2007 £000	Non-interest bearing financial assets 2007 £000
Sterling – cash and short term deposits	**711**	**–**	1,340	–
Sterling – unquoted investments	**–**	**348**	–	436
US Dollar – unquoted investments	**–**	**6,129**	–	8,840
	711	**6,477**	1,340	9,276

The floating rate assets earn interest at rates based upon LIBOR. Non-interest bearing financial assets are available on demand.

29. First time adoption of IFRS

The group's transition date for adoption was 1 July 2006. This transition date was selected in accordance with IFRS1.

The principal differences for the group between reporting under IFRS as compared to UK GAAP and which are noted in the table are:

a. Basis of consolidation

The group financial statements consolidate those of the company and its subsidiary undertakings drawn up to 30 June 2008. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

The purchase method of accounting is used to account for the acquisition of subsidiaries by group companies. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the expansion. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of net assets acquired, the difference is recognised directly in the income statement.

b. Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Save for the product and services analysis of turnover asset out in Note 4 to the half yearly results the Board considers that the Group's activities are derived from UK.

c. Revenue recognition

Turnover comprises the value of goods and services provided during the period, excluding value added tax. Each element of turnover is recognised when:

(i) Supply of goods and services has taken place;

(ii) There are no significant obligations remaining to be delivered; and

(iii) Collection of the amount due from the customers is reasonably assured.

Income which is recognised in turnover but not invoiced at the period end is recorded in prepayments and accrued income in trade and other receivables. Where invoices are raised in advance of the provision of services they are recorded as deferred income in creditors.

29. First time adoption of IFRS (continued)

d. Property, plant and equipment

All property, plant and equipment is shown at cost less accumulated depreciation and any accumulated impairment losses. Cost excludes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided to write off the costs, less estimated residual values, of all fixed assets over its estimated useful life:

(i) Leasehold property – Life of lease

(ii) Leasehold improvements – 4 years

(iii) Furniture and fittings – 4 years

(iv) IT equipment – 3 years

(v) Motor vehicles – 3 to 5 years

e. Financial assets through profit or loss

All investments undertaken by the group are classified as financial assets held at fair through profit or loss. Any fair valuations, including impairment, are taken to the income statement.

f. Intangible assets – goodwill

Goodwill represents the excess of cost of the purchase or certain assets and liabilities from a company that was under administration at the date of purchase. This goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

This goodwill is not allocated to a cash-generating unit as the group is not able to recognise if a benefit would arise from such treatment.

g. Trade receivables

Trade receivables are recognised at fair value less provision for impairment. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due on the original terms of the receivables.

h. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, cash in transit, deposits held at call with banks, other short-term liquid investments with original maturities less than three months or less.

i. Financial instruments and derivatives

The group's financial instruments comprise cash and cash equivalents and other items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to provide working capital and raise finance for the group's operations.

The group does not enter into derivative transactions such as interest rate swaps and forward contracts.

j. Trade payables

Trade payables are recognised at fair value.

k. Borrowings

Borrowings, including bank overdrafts, are recognised at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

l. Provisions

Provisions for liabilities are recognised when the company has a present legal or constructive obligation as a result of past event, and it is considered more likely than not that an outflow of resources will be required to settle that obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

m. Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts which have been prepared and approved by the board. The deferred tax assets and liabilities are not discounted.

29. First time adoption of IFRS (continued)

n. Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to sterling with the rate of exchange ruling at the balance sheet date. Differences on exchange arising from the retranslation of the opening net investments are taken to reserves and reported in the statement of recognised gains and losses. All foreign exchange differences are taken to the income statement.

o. Operating leases

Operating lease rentals are charged to the income statement on an accrual basis over the term of the lease.

p. Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown equity as a deduction from the proceeds of the issue. This is applied to all share buybacks retrospectively.

The application of IFRS has also changed the presentation of the consolidated cash flow statement which now shows cash flows derived from the three types of activities – operating, investing and financing. In addition, under IFRS, the cash flow statement includes all cash flows in respect of cash and cash equivalents.

The overall cash flows of the group do not change as a result of using IFRS. The underlying performance of the business is unchanged.

In preparing the IFRS accounts, the group has adjusted amounts reported previously in the financial statements prepared in accordance with UK GAAP. Quantification of how the transition has affected the group's financial performance and position is set out in the following tables in respect of each of:

- Transitional consolidated balance sheet as at 1 July 2006
- Consolidated balance sheet as at 31 December 2006
- Consolidated balance sheet as at 30 June 2007
- Consolidated income statement for the year ended 30 June 2007

The tables below show the main impact of IFRS on:

i. the consolidated income statements for the year ended 30 June 2007 (date of last UK GAAP statements) and the six months ended 31 December 2006 (half year comparative period) and;

ii. the consolidated balance sheets as at 1 July 2006 (date of transition to IFRS), 30 June 2007 (date of last UK GAAP statements) and 31 December 2006 (half year comparative period).

29. First time adoption of IFRS (continued)

The main areas of these financial statements impacted by the transaction to IFRS are detailed below.

Consolidated Income Statement UK GAAP to IFRS reconciliation

	Notes	6 months ended 31.12.2006 UK GAAP £000	Effect of transition to IFRS £000	6 months ended 31.12.2006 IFRS £000	12 months ended 30.06.2007 UK GAAP £000	Effect of transition to IFRS £000	12 months ended 30.06.2007 IFRS £000
Revenue		6,973	–	6,973	12,607	105	12,712
Cost of sales		(1,158)	–	(1,158)	(2,112)	–	(2,112)
Gross profit		5,815		5,815	10,495		10,600
Administrative expenses – others	i	(6,160)	321	(5,839)	(13,821)	627	(13,194)
Operating loss (pre-exceptional items)		(345)	321	(24)	(3,326)		(2,594)
Administrative expenses – exceptional		(698)	–	(698)	(1,471)	–	(1,471)
Operating loss (post-exceptional items)		(1,043)	321	(722)	(4,797)	627	(4,065)
Other income		–	–	–	105	(105)	–
Operating loss		(1,043)	–	(722)	(4,692)	627	(4,065)
Gain on disposal of tangible assets		–	–	–	374	–	374
Finance revenue	ii	41	–	41	71	3,500	3,571
Finance costs		–	–	–	(5)	–	(5)
Loss on ordinary activities before taxation		(1,002)	321	(681)	(4,252)	4,127	(125)
Income tax expense		–		–	–	–	–
		(1,002)	321	(681)	(4,252)	4,127	(125)
Attributable to:							
Equity holders of the company		(820)	321	(499)	(4,252)	4,127	(125)
Minority interest		(182)		(182)	–		–
		(1,002)	321	(681)	(4,252)	4,127	(125)

29. First time adoption of IFRS (continued)

Consolidated Balance Sheet UK GAAP to IFRS reconciliation

	Notes	At 1 July 2006 UK GAAP £000	At 1 July 2006 Effect of IFRS £000	At 1 July 2006 IFRS £000	At 31 December 2006 UK GAAP £000	At 31 December 2006 Effect of IFRS £000	At 31 December 2006 IFRS £000	At 30 June 2007 UK GAAP £000	At 30 June 2007 Effect of IFRS £000	At 30 June 2007 IFRS £000
Assets										
Non current assets										
Goodwill	i	4,214	–	4,214	4,076	321	4,397	3,827	627	4,454
Property, plant & equipment		1,513	–	1,513	1,406	–	1,406	871	–	871
Financial assets held at fair value through profit or loss		6,362	–	6,362	6,411	–	6,411	9,276	–	9,276
		12,089	–	12,089	11,893	321	12,214	13,974	627	14,601
Current Assets										
Inventories		201	–	201	163	–	163	80	–	80
Trade and other receivables		846	–	846	1,233	–	1,233	967	–	967
Cash and cash equivalents		1,803	–	1,803	1,690	–	1,690	1,340	117	1,457
		2,850	–	2,850	3,086	–	3,086	2,387	117	2,504
Current liabilities										
Bank overdrafts		–	–	–	–	–	–	–	(117)	(117)
Finance leases		–	–	–	(4)	–	(4)	(4)	–	(4)
Trade and other payables		(129)	–	(129)	(1,305)	–	(1,305)	(1,144)	–	(1,144)
		(129)	–	(129)	(1,309)	–	(1,309)	(1,148)	(117)	(1,265)
Net current assets		2,721	–	2,721	1,777	–	1,777	1,239	–	1,239
Total assets less current liabilities		14,810	–	14,810	13,670	321	13,991	15,213	627	15,840
Non-current liabilities										
Finance leases		–	–	–	(10)	–	(10)	(5)	–	(5)
Provisions		–	–	–	–	–	—	(1,819)	–	(1,819)
Net Assets		14,810	–	14,810	13,660	321	13,981	13,389	627	14,016
Capital and Reserves										
Called up share capital		5,131	–	5,131	5,060	–	5,060	4,815	–	4,815
Capital redemption reserve		1,093	–	1,093	1,164	–	1,164	1,409	–	1,409
Revaluation reserve	ii	1,984	(1,984)	–	1,984	(1,984)	–	5,484	(5,484)	–
Merger reserve		2,045	–	2,045	2,045	–	2,045	2,045	–	2,045
Minority interests		1	–	1	(182)	–	(182)	–	–	–
Retained earnings		4,556	1,984	6,540	3,589	2,305	5,894	(364)	6,111	5,747
Total equity		14,810	–	14,810	13,660	321	13,981	13,389	627	14,016

Notes

IFRS adjustments

i) IFRS 3 Business Combinations

Under UK GAAP, goodwill arising on a business combination was amortised over its estimated economic life. Under IFRS, goodwill is not amortised but is tested for impairment at least annually. The adjustments therefore related to the write back of goodwill amortisation charged from the date of transition to IFRS.

ii) Financial income

Financial assets held at fair value through profit or loss which was previously classified as fixed assets investments under UK GAAP and the revaluation taken to revaluation reserves. Under IFRS, these amounts are reflected in the income statement.

Pro Forma Profit & Loss and Balance Sheets

Notes to the Pro Forma Profit & Loss Account and Balance Sheets

The pro forma financial information has not been audited.

The pro forma financial information has been prepared to illustrate the effect of not consolidating the results and net assets of Eclectic Bars Limited and therefore sets out the investment activity of Avanti Capital plc as distinct from the bars and clubs activity operated by Eclectic Bars Limited.

The adjustments shown within the pro forma financial information enables a reconciliation to be made to the audited figures included within this annual report and which comprise the usual consolidation items including fees and interest charged by the group to Eclectic Bars Limited and the inclusion, within the pro forma Profit & Loss, of EBITDA for Eclectic Bars Limited in respect of the 52-weeks period from 2 July 2007 to 29 June 2008.

	Avanti	Eclectic Bars	Adjustment	Group Total
Profit & Loss	£000	£000	£000	£000
Turnover – continuing operations	107	10,136	(105)	10,138
Less: cost of sales	–	(1,677)	–	(1,677)
Gross profit	107	8,459	(105)	8,461
Operating expenses	74	(7,806)	105	(7,627)
EBITDA	181	653	–	834
Depreciation & goodwill amortisation	(3)	(348)	–	(351)
Finance cost	(2,906)	(298)	238	(2,966)
Finance revenue	329	–	(238)	91
(Loss)/profit on ordinary activities before Taxation and exceptional items	(2,399)	7	–	(2,392)
Exceptional items – other	(2)	(241)	–	(243)
(Loss) on ordinary activities before taxation	(2,401)	(234)	–	(2,635)
Taxation	–	–	–	–
(Loss) on ordinary activities after taxation	(2,401)	(234)	–	(2,635)

44 Supplementary information (unaudited) continued

Pro Forma Profit & Loss and Balance Sheets (continued)

Net Assets	Avanti £000	Eclectic Bars £000	Adjustment £000	Group Total £000
Fixed assets				
Goodwill	–	6,476	(2,022)	4,454
Tangible assets	10	2,078	–	2,088
Investments	14,291	–	(7,814)	6,477
	14,301	8,554	(9,836)	13,019
Current assets				
Stock	–	129	–	129
Debtors	141	961	–	1,102
Cash at bank & in-hand	793	291	–	1,084
	934	1,381	–	2,315
Creditors: amounts falling due within one year	(58)	(1,923)	–	(1,981)
Net current assets	876	(542)	–	334
	15,177	8,012	(9,836)	13,353
Creditors: amounts falling due after one year				
Shareholders' loan	–	(7,814)	7,814	–
Other creditors	–	(977)	–	(977)
	15,177	(779)	(2,022)	12,376
Provisions	(995)	–	–	(995)
	14,182	(779)	(2,022)	11,381
Represented by:				
Share capital	4,815	–	–	4,815
Capital redemption reserves	1,409	–	–	1,409
Other reserves	2,045	–	–	2,045
Profit & loss accounts	5,913	(779)	(2,022)	3,112
Shareholders' funds	14,182	(779)	(2,022)	11,381

Notice of annual general meeting

Notice is hereby given that the 2008 Annual General Meeting of Avanti Capital plc ("the Company") will be held at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA on the 5th day of December 2008 at 11.00 am to transact the following business.

Ordinary Business

1 To receive and adopt the directors report, the financial statements and the auditors report for the year ended 30 June 2008.

2 That the Directors' Remuneration Report as set out on pages 7 to 9 of the report and accounts (as referred to in 1 above) be and is hereby approve.

3 To re-elect Philip Crawford as a director.

4 To confirm the re-appointment of Ernst & Young LLP as auditors of the Company and to authorise the directors to fix their remuneration.

Special Business

As special business, to consider and, if thought fit, pass the following resolutions of which Resolution 5 will be proposed as an ordinary resolution and Resolutions 6, 7 and 8 will be proposed as special resolutions:

Ordinary Resolution

5 That the Directors be and they are hereby generally and unconditionally authorised (in substitution for all previous authorities in that regard) to exercise all of the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 ("the Act")) up to an aggregate nominal amount of £4,815,451 provided that this authority shall expire on the conclusion of the annual general meeting of the Company held in 2009 or 31 December 2009 (whichever is earlier) unless and to the extent that such authority is renewed or extended prior to such date so that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

Special Resolutions

6 That the Directors be and they are hereby empowered pursuant to Section 95 of the Act in substitution for all previous powers granted thereunder, to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority granted by Resolution 5 above of this resolution as if Section 89(1) of the Act did not apply to any such allotment provided that this power should be limited to:

(a) the allotment of equity securities on a pro rata basis in favour of shareholders where the equity securities respectively attributable to the interests of all shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them, but subject to such exclusions and other arrangements as the directors may deem necessary or expedient to deal with legal or practical problems in respect of overseas holders, fractional entitlement or otherwise;

(b) the allotment of equity securities (in addition to the allotment of equity securities pursuant to the forgoing paragraph) with an aggregate value of up to £1,605,150 being 33.3 per cent of the issued share capital of the Company on 31 October 2008

and the power hereby conferred shall expire on the conclusion of the annual general meeting of the Company held in 2009 or 31 December 2009 (whichever is earlier) unless renewed or extended prior to such time except that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would, or might, require equity securities to be allotted, after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred has not expired.

7 That the Company be generally and unconditionally authorised for the purposes of section 166 of the Act to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 60p each in the capital of the Company ("Ordinary Shares") provided that:

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is such number of shares which would fully utilise the whole of the distributable reserves of the Company from time to time;

(b) the minimum price which may be paid for an Ordinary Share is 60p per share;

(c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased;

(d) the authority hereby conferred expires at the conclusion of the next annual general meeting of the Company to be held in 2009 or, if earlier, twelve months after the date of the passing of this resolution unless such authority is renewed, varied or revoked prior to such time; and

the Company may make a contract or contracts to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority; and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

8 That the articles of association of the Company be amended by the insertion of the following as regulation 90(K):

(K) In this Article 90(K) a “conflict of interest” means, in relation to any person, an interest or duty which that person has which directly or indirectly conflicts or may conflict with the interests of the Company or the duties owed by that person to the Company but excludes a conflict of interest arising in relation to a transaction or arrangement with the Company (to which the provisions of Article 90(G), apply). Where a situation occurs or is anticipated to occur which gives rise or may give rise to a conflict of interest on the part of any director (“Conflicted Director”) (other than a situation which cannot reasonably be regarded as likely to give rise to a conflict of interest), the matter shall be referred to the directors other than the Conflicted Director (the “Non-Conflicted Directors”). The Non-Conflicted Directors shall meet to consider the matter as soon as practicable after the matter is referred to them and they have received all relevant particulars relating to the situation. The quorum for a meeting of the Non-Conflicted Directors shall be the same as for a meeting of the board. The Non-Conflicted Directors shall have authority to authorise any matter which gives rise to the conflict of interest concerned on such terms as they think fit. Any terms on which the matter in question is authorised may be varied by the Non-Conflicted Directors from time to time and the Non-Conflicted Directors may revoke such authority at any time insofar as it has not already been acted on. The Non-Conflicted Directors shall communicate their decisions promptly to each Conflicted Director. A Conflicted Director shall not be entitled to any information which is relevant to the matter giving rise to the conflict of interest except to the extent authorised by the Non-Conflicted Directors. Where a matter giving rise to a conflict of interest is authorised by the Non-Conflicted Directors, the Conflicted Director shall:

(i) be released from any duty to disclose to the Company any confidential information relating to the matter in question which he receives or has received from a third party; and

(ii) save as otherwise determined by the Non-Conflicted Directors at the time when they authorise the matter, not be accountable to the Company for any benefit which he derives from such matter (excluding a benefit conferred on the director by a third party by reason of his being a director of the Company or by reason of his doing or not doing anything as a director of the Company).

Any confidential information which a Conflicted Director has received from the Company or in his capacity as a director of the Company shall not be disclosed by him to any third party except insofar as permitted by the Non-Conflicted Directors. The directors may authorise a matter which may give rise to a conflict of interest on the part of a person who is proposed to be appointed as a director to the board and any authorisation of such matter by the directors shall apply in relation to such person on his appointment as a director.”

BY ORDER OF THE BOARD

Julian Fellerman
Secretary
10 November 2008

Registered Office: 25 Harley Street, London W1G 9BR

Notes:

(1) A member entitled to attend and vote at the above-mentioned Annual General Meeting may appoint one nor more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.

(2) A pre-paid form of proxy is enclosed. To be valid, the form of proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such authority) must be deposited at the offices of the Company’s Registrars, Capita IRG, PO Box 25, Beckenham, Kent BR3 4BR no later than 10 a.m. on 3 December 2008. Completion of the form of proxy will not preclude a member from attending and voting in person.

(3) The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.00pm on 3 December 2008 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

(4) There will be available for inspection at the registered office of the Company, during usual business hours non any weekday from the date of this notice until the date of the meeting, and at the place of the meeting for 15 minutes prior to and during the meeting, copies of any directors’ service agreements with the Company and particulars for the period up to 9 November 2008 of the transactions of each director and, so far as he can reasonably ascertain, of his family in the share capital of the Company.

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